

Manager Commentary

The most notable activity in the period covered by this factsheet was the buybacks undertaken by the Fund, which saw over 7% of net assets returned to investors. With regard to Shipping Deal 1, the final drawdowns to cover vessel conversion costs were made by the borrower, meaning an end to the negative impact on performance of these cash calls. The costs of the drawdowns in this period were in fact, more than offset by the increase in the valuation of the underlying fleet leading to an increase in NAV. There were some small hedge fund distributions received by the Fund along with proceeds from the sales of some of the Financial Partners entities. The first deferred consideration payment from the sale of Lonscale came in and two investments in other SPL funds were also sold as we carry on working to simplify the overall structure. The Tranquil loan was repaid in full in April, while the Fund continues to receive the full monthly repayments on the Cloud loan as this nears maturity at the end of the year. We continue to look for exits from the private assets held by the Fund while we also maintain a regular dialogue with the managers of the Hedge Fund holdings in order to try and coax out liquidity where possible. However, the medium to longer term nature of some of these assets makes this a slower process than we would like. On a brighter note, we have very recently signed an MoU with the intended purchaser of the Santa Maria. The transfer of ownership is due to complete in early August which will provide both a stop to the costs currently being incurred for her maintenance and a repayment schedule allowing some value to be recouped on this asset. Please note that due to the move to bi-monthly factsheets the performance shown below is for both April and May.

Share Buybacks

A significant landmark in the process of providing liquidity to investors was reached on 31 March with the lifting of the suspension of trading. As at 23 July when these factsheets were finalised, the fund had spent £5.382m in buying back shares. Any investor wishing to sell in the market should request their stockbroker to contact the Channel Islands Stock Exchange market maker. Details can be found at www.cisx.com.

Fund Objective

The Investment Manager will manage the Fund's portfolio with a view to realising its assets within the shortest period of time consistent with achieving a reasonable realisation price for such assets and with the intention of disposing of all such assets within 5 years. Realisations will be managed, as far as possible, with a view to ensuring regular and consistent distributions of proceeds to Shareholders.

Holdings

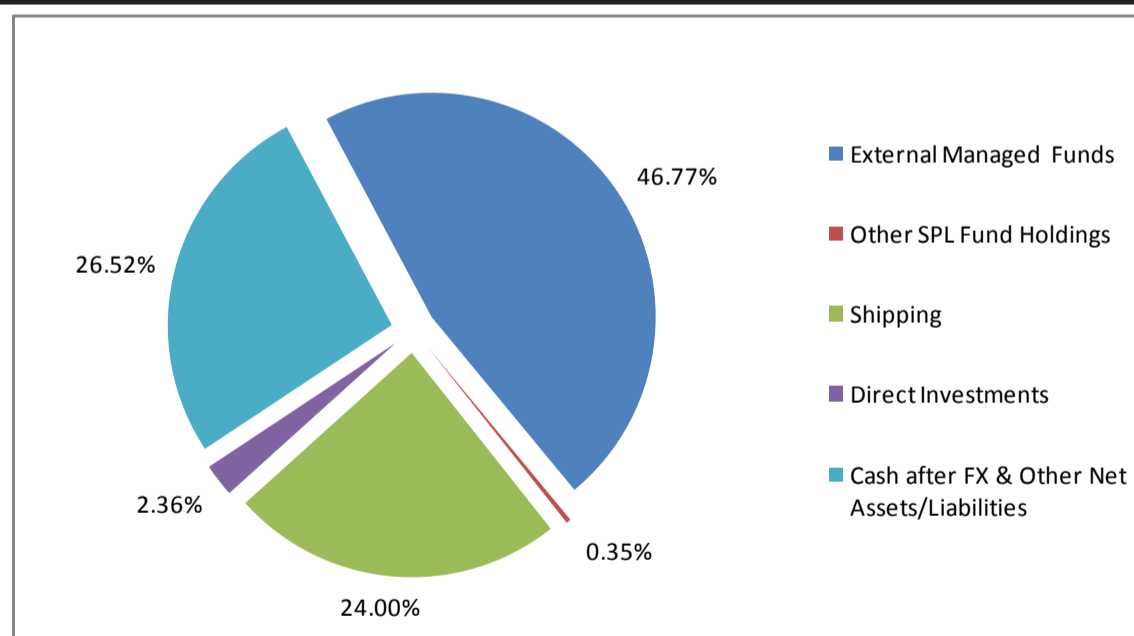
Investment	Currency of Investment	Value as at 31 Mar 10 (in GBP)	Cash Movement	Value as at 28 May 10 (in GBP)	Contribution to Overall Change in Net Assets in the Period	Comments / Additional Information
Shipping Deal 1	USD	12,527,500	707,218	13,942,240	0.97%	The final drawdowns to fund conversion works were made by the borrower during the period. The cost of these was more than offset by an increase in the underlying value of the fleet based on the latest valuation received from Clarksons.
BMS Specialist Debt Fund Ltd	GBP	8,337,437	-	8,352,099	0.02%	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Medley Opportunity Fund	USD	6,771,320	-	7,142,795	0.51%	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Ark Royal Fund Ltd	USD	4,448,563	-	4,569,921	0.17%	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Noble Venture Finance II Fund	GBP	3,510,533	-	3,363,438	(0.20%)	Fund revaluation based on the monthly statement provided by the fund manager. As previously reported, in recent months the fund manager has taken a number of actions which we believe to be in the best interests of investors. These include the reduction of both leverage and the associated fees, along with a review of costs. Progress continues to be made and we are still in ongoing discussions with the manager.
Hedge Fund 1	USD	1,824,778	(251,923)	1,646,309	0.10%	Monthly fund revaluation based on the NAV provided by the fund's administrator. A small cash amount was received in May and a larger distribution was subsequently received in June.
Caritas Royalties Fund (Bermuda) Ltd	USD	1,794,191	-	1,930,701	0.19%	Monthly fund revaluation based on the NAV provided by the fund's administrator. Full redemption proceeds subsequently received in July.
Santa Maria Linked Funding Note	EUR	1,513,627	39,679	1,419,958	(0.18%)	Since the last factsheet, negotiations have continued with 3rd parties who have made claims against the vessel and these have recently completed. The Greek courts are now on holiday until early August after which time we expect the courts to release the vessel in to our control. We will then hopefully be in a position to complete on the sale we have been negotiating for the last few months. During the period covered by the factsheet, the vessel has continued to incur legal and maintenance costs which have had a negative impact on NAV.
Growth Management Limited	USD	1,406,486	(35,309)	1,445,245	0.10%	Monthly fund revaluation based on the NAV provided by the fund's administrator. A small distribution was received in April and subsequently again in July.
Execution Noble - Equity	GBP	1,265,732	(56,305)	1,265,732	0.08%	Further merger pending with Banco Espirito Santo de Investment but this is still awaiting regulatory approval.
Bond Capital Partners I Ltd	EUR	1,199,258	-	1,143,547	(0.08%)	Change in value due to currency movements.
Aarkad Plc	USD	1,007,525	-	1,058,605	0.07%	Further loan documentation now received by the liquidator from the administrators to Mathon Ltd. The first formal meeting of the Investor Committee is scheduled for the end of August. The liquidator will be providing an updated report to investors prior to this but he does not anticipate having a complete picture of everything much before the end of the year.
Pentagon Bernini Fund Ltd	USD	1,139,674	-	888,439	(0.34%)	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Shipping Deal 3	EUR	772,402	-	736,534	(0.05%)	There has been no real movement on this asset since the February factsheet. The arbitration process continues and we hope to have more to report soon.
Hedge Fund 2	USD	613,470	-	611,044	(0.00%)	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Shipping Deal 2	EUR	416,651	-	397,304	(0.03%)	There has been no real movement on this asset since the February factsheet. The arbitration process continues and we hope to have more to report soon.
The Cloud Loan Note	EUR	443,910	(96,682)	331,727	(0.02%)	Loan performing in line with expectations. Monthly principal and interest repayment received during April and May. Change in value due to currency movements.
BMS Finance Ltd - Warrant	GBP	-	-	14,280	0.02%	Revaluation based on the latest management accounts.

Financial Partners Loans	USD	58,763	(61,983)	13,329	0.02%	In April we accepted offers from the management of two of the new devolved regional businesses for the shares held by the SPL funds. \$685k has since been received spread across various SPL funds. We do believe we will extract some further value from the remaining unsold entities over time.
Tranquil Insurance Company Loan	GBP	1,010,328	(1,010,834)	-	0.00%	Loan fully repaid in April.
Lonscale Deferred Consideration	GBP	-	(108,160)	-	0.15%	Deferred Consideration due over the next 18 months. Value will only be recognised as and when the scheduled payments are received.
Arche Fund Ltd	USD	-	-	-	-	
Stewardship International Fund Ltd	USD	-	-	-	-	The wind-up of this fund is now expected to be completed during Q3 2010 with no further return to investors.
Holdings in Other SPL Funds						
SPL Treasury IC (AT1) Ltd	USD	149,478	-	191,508	0.06%	Monthly fund revaluation based on the NAV provided by the fund's administrator.
SPL China Energy (NR1) IC Ltd	USD	33,568	-	34,529	0.00%	Monthly fund revaluation based on the NAV provided by the fund's administrator. Liquidation of the fund is now underway with 95%+ of cash distributed to investors during July.
SPL Structured Finance (PF4) IC Ltd	GBP	11,787	-	11,787	-	Monthly fund revaluation based on the traded mid-price shown on the CISX.
SPL Private Finance (PF1) IC Ltd	GBP	50,299	(47,755)	-	(0.00%)	Position sold in to the buyback program.
SPL Finance Opportunitites (PF3) IC Ltd	GBP	30,395	(30,377)	-	(0.00%)	Position sold in to the buyback program.
Other						
Cash	GBP	22,745,575	(4,239,047)	18,453,895	(0.07%)	Decrease in the value of cash due to currency movements.
Buybacks	GBP	-	5,148,813	-	(7.06%)	Cash distributed to investors reduced the overall NAV of the fund but contributed to an increase in the NAV per share due to the discount at which these shares were purchased.
Other Net Liabilities	GBP	(152,984)	42,666	(219,932)	(0.15%)	
Total		72,930,266		68,745,034		

Performance Over Last 12 Months

	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10
NAV per Share (£ Class)	0.8983	0.8399	0.8277	0.7366	0.7188	0.7081	0.6959	0.6925	0.7004	0.6945	0.6971	0.7151
% Change	0.2%	(6.5%)	(1.5%)	(11.0%)	(2.4%)	(1.5%)	(1.7%)	(0.5%)	1.1%	(0.8%)	0.4%	2.6%
NAV per Share (€ Class)	0.7660	0.7191	0.7165	0.6427	0.6271	0.6201	0.5920	0.5808	0.5698	0.5664	0.5862	0.6153
% Change	-	(6.1%)	(0.4%)	(10.3%)	(2.4%)	(1.1%)	(4.5%)	(1.9%)	(1.9%)	(0.6%)	3.5%	5.0%

Investment Allocation



Additional Information

- The Fund is listed on the Channel Islands Stock Exchange (CISX) and official announcements relating to the Fund can be found on the exchange's website (www.cisx.com) under the 'CISX Market News' section.
- The financial year-end for the Fund is 31st March and the audited Report and Financial Statements can also be found on the CISX website.
- The Annual Management Charge for the Fund 1%.
- The Performance Fee for the Fund is 10% of performance above the Cumulative Hurdle Rate of three month LIBOR for the currency of the share class + 4%.
- The High Water Mark for the Fund will be reset as the higher of: i) The November end-of-month NAV, ii) The arithmetic average of the end-of-month NAV's, for the 9 data points between March and November 2009 inclusive subject to various adjustments. This will be published once it has been agreed by the board.
- The ISIN for the GBP Share Class is GG00B1LG1H76 and for the EUR Share Class is GG00B1M8X105.
- The Sedol for the GBP Share Class is B1LG1H7 and for the EUR Share Class is B1M8X10.
- Information relating to the Fund is also available on the SPL Funds website (www.splfunds.com).

Disclaimer

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